A study on compliance of sustainability reporting practices of companies listed on national stock exchange and their stock prices

Research Proposal

Submitted in partial fulfillment of the requirement of the degree of

Doctor of Philosophy (Ph.D.)

In the subject of Management Studies

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1. Title:

A STUDY ON COMPLIANCE OF SUSTAINABILITY REPORTING PRACTICES OF COMPANIES LISTED ON NATIONAL STOCK EXCHANGE AND THEIR STOCK PRICES

2. Introduction:

2.1 Background:

Sustainability in simple terms can be defined as "the ability to sustain and continue at a given or enhanced level. UNDP's Sustainable Development Goals (SDGs) encourage companies all over the world to adopt sustainable practices in their functioning and integrate sustainability information into their reporting. Sustainable Development Goals (SDGs) initiative has identified 17 critical areas to solve namely: economic, social and environmental challenges by the year 2030 and all 193 UN Member States (M. Prabhakar, 2018) have agreed to the "Agenda 2030", urging all business, big and small, to actively and creatively be part of the solution and take impactful steps to achieve success. The 169 SDG specific targets present a wide range of opportunities for businesses to make a difference. A key emphasis of the SGDs is creating shared value to the business and to the society within the organisation's own core operations. Thus, the UN Sustainability Goals are used to manage ESG reporting by businesses and create long-term value.

2.2 ESG reporting, CSR Reporting or Sustainability Reporting is the disclosure of information about a company's operations with regard to its environmental, governance and social impacts. It is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development (GRI, 2006). The aim of the reporting practice is not only to generate reports for assessment but also to implant sustainability in all aspects of the organization. The three main components of the report are: Environmental, Social, and Governance (ESG) which are a parameter of a company's responsibility towards sustainability. In ESG, Environmental stands for the steps taken by the companies to deal with environmental issues, Social stands for the approach of the company towards its suppliers, customers, the local communities and most

importantly its employees. Governance is all about how the company fulfills the regulatory aspects. It has been widely acknowledged that businesses need to play a critical role in the achievement of the SDGs (Business Reporting on the SDGs: Analysis of the goals and targets, 2017). By integrating the SDGs into the core of corporate functioning, companies can truly contribute to meet the needs of the society without compromising on the future needs.

Some importing types of Sustainability Reporting Frameworks followed all over the world are as follows:

- Global Reporting Initiative Standards (GRI Standards)
- Sustainability Accounting Standards Board (SASB)
- Integrated Reporting (IR) Framework.
- Carbon Disclosure Project (CDP) Guidance.
- Dow Jones Sustainability Index (DJSI)
- Task Force on Climate-related Financial Disclosures (TCFD)

The Global Responsibility Initiative's Sustainability Reporting Standards (GRI Standards) were the first and most widely adopted global standards for sustainability reporting. GRI helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being (Business Responsibility Reporting in India: Disclosure and Practices , 2019).

2.2.1 Timeline of Sustainability Reporting Practices in India:

The Ministry of Corporate Affairs has been taking various initiatives for ensuring responsible business conduct by companies. As a first step towards mainstreaming the concept of business responsibility, the 'Voluntary Guidelines on Corporate Social Responsibility' were issued in 2009. The timeline of Sustainability Reporting Practices in India are as follows:

Year	Sustainability Reporting Guidelines
2009	The 'Voluntary Guidelines on Corporate Social Responsibility were issued by MCA, GOI as the first step towards mainstreaming the concept of Business Responsibility
2011	National Voluntary Guidelines on Social, Environmental and Economic

	Responsibilities of Business, (NVG's) were issued by MCA which includes Business Responsibility Reporting format. Reporting was voluntary for listed companies
2012	SEBI mandated the Top 100 listed entities to file Business Responsibility Reports (BRRs) through its 'Listing Regulations' LODR (Listing Obligation and Disclosure Requirements)
2015	Top 500 companies on the basis of market capitalization were mandated for publishing BRR under 34(2) (f) of Listing Regulation (w.i.f. 1st April, 2016)
2018	MCA constituted the Committee on BRR to update NVGs formulate the NGRBC and develop BRR formats for listed as well as unlisted companies.
2019	National Guidelines on Responsible Business Conduct (NGRBC) were issued on 13th March including the updated format of BRR. BRR mandate extended from 500 to 1000 Top listed entities through SEBI (LODR) (Fifth Amendment) Regulations, 2019
2021	As per the SEBI notification and amendments to certain provisions of the (Listing Obligations and Disclosure Requirements) Regulations, 2015 companies would be required to submit a new report on ESG parameters, namely Business Responsibility and Sustainability Report (BRSR) according to which reporting for top 1,000 listed companies by market capitalization will be Mandatory from FY 2022-23 and Voluntary for FY 2021-22.

2.2.2 Business Responsibility Report

Business Responsibility Report (BRR) is a disclosure of adoption of responsible business practices by a listed company to all its stakeholders. A BRR contains a standardized format for companies to report the actions undertaken by them towards adoption of responsible business practices. BRR has been designed to provide basic information about the company, information related to its performance and processes and information on principles and core elements. Further, BRR has been designed as a tool to help companies understand the principles and core elements of responsible business practices and start implementing improvements which reflect their adoption in the manner the company undertakes its business. It is applicable to all types of companies.

From April 1, 2016 onward, the BRR requirement has been extended to the top 500 listed companies. SEBI has also clarified that failure to provide BRR shall be interpreted as non-compliance with Clause 55 of the listing agreement calling for grave aftermaths such as heavy penalties, fines, suspensions and even delisting if non-compliance persists. However, no particular level of compliance with NVG has been mandated. The SEBI recommended and urged the top 500 listed Companies to embrace integrated reporting on a voluntary basis from financial year (FY) 2017-18. In December 2019, SEBI extended the BRR requirement to the top 1000 listed companies by market capitalization, from the financial year 2019-20. This regulation is important considering the fact that these companies have accessed public funds and are hence needed to make exhaustive disclosures on a regular basis. The philosophy behind BRR is to remain accountable towards stakeholders, and also at the same time environmentally sustainable.

With a view to align the same with the globally set principles, it was felt desired to revamp the framework of BRR under the Indian laws. As a result, MCA issued a Report of the Committee on the BRR on 11th August, 2020 where it has recommended several additions with an aim to make BRR a "one-stop source for all non-financial disclosures". Further, it has also widened the scope of BRR to "Business Responsibility and Sustainability Reporting ("BRSR").

Business Responsibility Report (BRR), as per template prescribed by SEBI in its circular is divided into 5 sections.

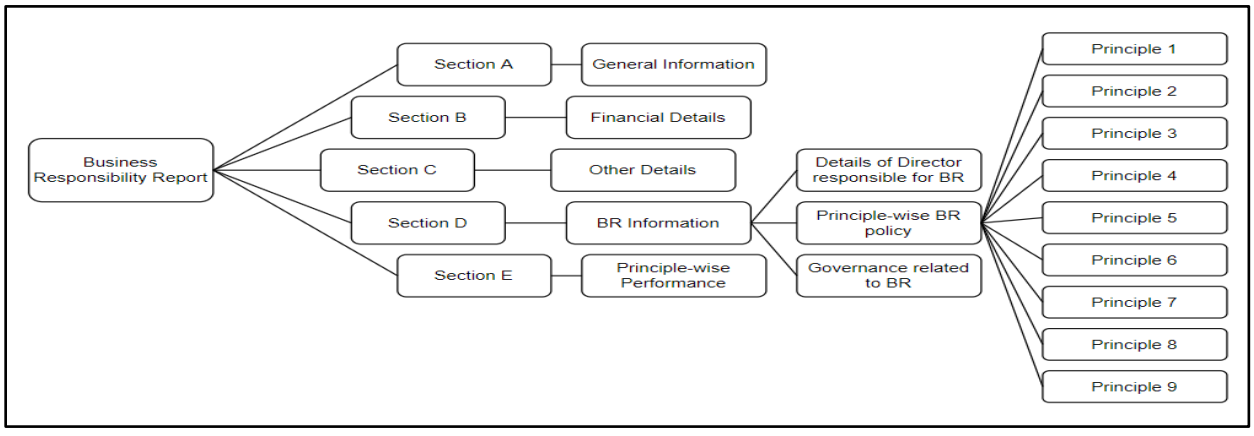


Figure based on researcher's compilation of BRR framework

The uniqueness of BRR is that the disclosure has to be made in the form of 5 sections and 9 principles and these principles are aligned with the UN SDGs. The 9 Principles are as follows:

- **Principle 1:** Businesses should conduct and govern themselves with **Ethics, Transparency and Accountability**
- **Principle 2:** Businesses should provide **goods and services** that are safe and contribute to sustainability throughout their life cycle **(SDG 2,6)**
- **Principle 3:** Businesses should promote the **wellbeing of all employees (SDG 1)**
- **Principle 4:** Businesses should respect the interests of, and be responsive towards all **stakeholders**, especially those who are **disadvantaged, vulnerable and marginalized (SDG 11)**
- **Principle 5:** Businesses should **respect and promote human rights (SDG 5)**
- **Principle 6:** Business should respect, protect, and make efforts to **restore the environment (SDG 3)**
- **Principle 7:** Businesses, when engaged in **influencing public and regulatory policy**, should do so in a responsible manner **(SDG 7)**
- **Principle 8:** Businesses should support **inclusive growth and equitable development(SDG 4)**
- **Principle 9:** Businesses should engage with and provide **value to their customers** and consumers in a responsible manner **(SDG 12)**

2.3 Sustainability Reporting and Stock Price:

Indian economy is currently emerging as a global super power. Stock Market is considered one of the major indicators of an economy and the financial well-being of a country. Research has attributed several internal factors and external factors as factors affecting stock prices of industries. The major internal factors affecting share price are company performance, governance, asset and liquidity position, dividends and earnings. The external factors include governmental regulations, business cycle, investor's attitude, market conditions, natural calamities and political uncertainties like strikes, blockades etc. In an efficient market, stock prices would be determined primarily by fundamental factors such as earning per share, dividend per share, payout ratio, size of the firm and dividend yield, management, diversification, etc.

India VNR 2020 released by NITI Ayog suggests that India's SDG Index score is far behind the 2030 Agenda and therefore acceleration is required. SDGs are interlinked with CSR/ESG practices of companies as both have the same objectives and purpose and can help tackle many of the environmental, social and governance issues India is facing. So corporates ideally should integrate SDGs into the core competencies of their functioning and help solve many of India's pressing problems. A means to ensure that they are doing so is in the form of Sustainability Reporting Practices. Sustainability Reporting is important as it improves transparency, strengthens risk management, promotes stakeholder engagement and improves communications with stakeholders. It gives important information on the current state of responsibility initiatives taken by business. It provides important stakeholders an analysis of practices and processes in ESG reporting currently followed by Indian companies.

There is growing realisation that businesses have significant impact on not only profits but also on people and our planet. "What gets measured gets done". It is for this reason that transparent and integrated sustainability reporting is the need of the hour. It is important to know if the sustainability reports are complete in all respect and followed in spirit especially given that no particular level of compliance has been mandated. It is important to know if the company is aware of all its stakeholders, responds to them, has interlinkages with them and most importantly communicates with them.

However reporting of risks, materiality and performance of the organization which are non-metric, non-financial is found to be very challenging. But since it is a mandatory requirement the companies may just take a tick box approach. This is especially true as though there is a mandate for disclosure there is no punishment or apparent repercussion for non-disclosure or lack of complete disclosure. It is also important to ensure that they report all the kinds of impacts, whether negative and positive to the stakeholder correctly. Whether the reports mirror stability, consistency, comparison, precision, regularity, dependability and clarity. How well the company developed sustainability policies and practices for its goods and products, suppliers in supply chain, in training its employees, in its response towards marginalised stakeholders, its public policy initiatives, and its relationship with customers, its initiatives for protection of environment and its investor relations.

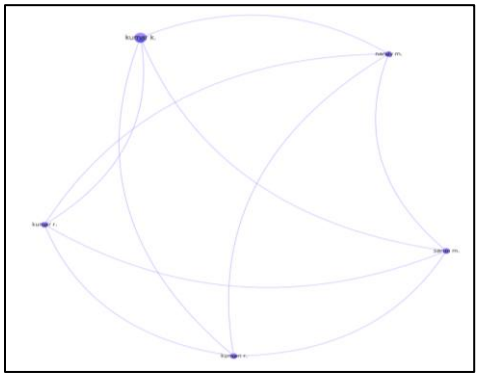
In this context, the sustainability report that is not reliable and lacks credibility will not serve its purpose. In fact it will defeat the purpose of such an ambitious policy with a goal of inclusive and sustainable all round development of our country. So in order to gain credibility firms will have to verify this information in the form of independent third party assurance like auditors or consultants, which will involve an additional cost which firms will only be willing to pay if they can see that this will result in value for them.

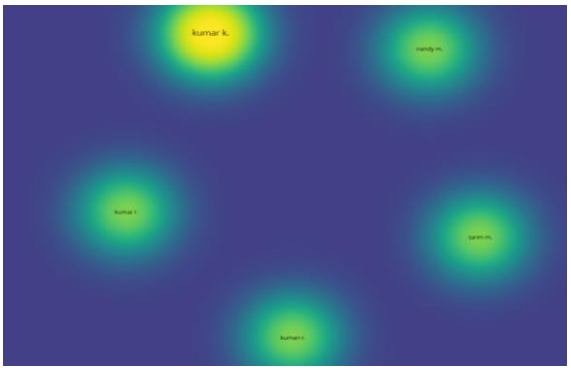
Stock market is significant as a source of wealth creation and for real sector growth. The role of financial stakeholders is very important to the firms as they request a large amount of credible information so that they can make their financial decisions. These important stakeholders who are also market participants demand greater information from the company. They base their investment decisions on the disclosures made by the company in the form of financial and non-financial i.e., sustainability reporting. There are increasing demands on companies to disclose their sustainability initiatives in the form of sustainability reporting. And how this could positively or negatively affect stakeholders especially investors. Many portfolio managers are looking for investment in sustainable companies which are socially and environmentally responsible. This encourages management to make decisions regarding whether, how, and to what extent ESG sustainability performance factors are incorporated into their strategic plans and importantly disclosed in a clear and transparent manner. Sustainability reports enhance information transparency and allow investors to incorporate sustainability information in stock valuation. If the shareholders and investors feel that there are business returns to publishing sustainability reports, they will see value in them and it will be an incentive for companies to disclose their sustainability initiatives. This in turn may have an impact on stock market prices as stakeholders positively value this information.

3. Review of Literature:

3.1 Maps based on bibliographic analysis from Scopus journals:

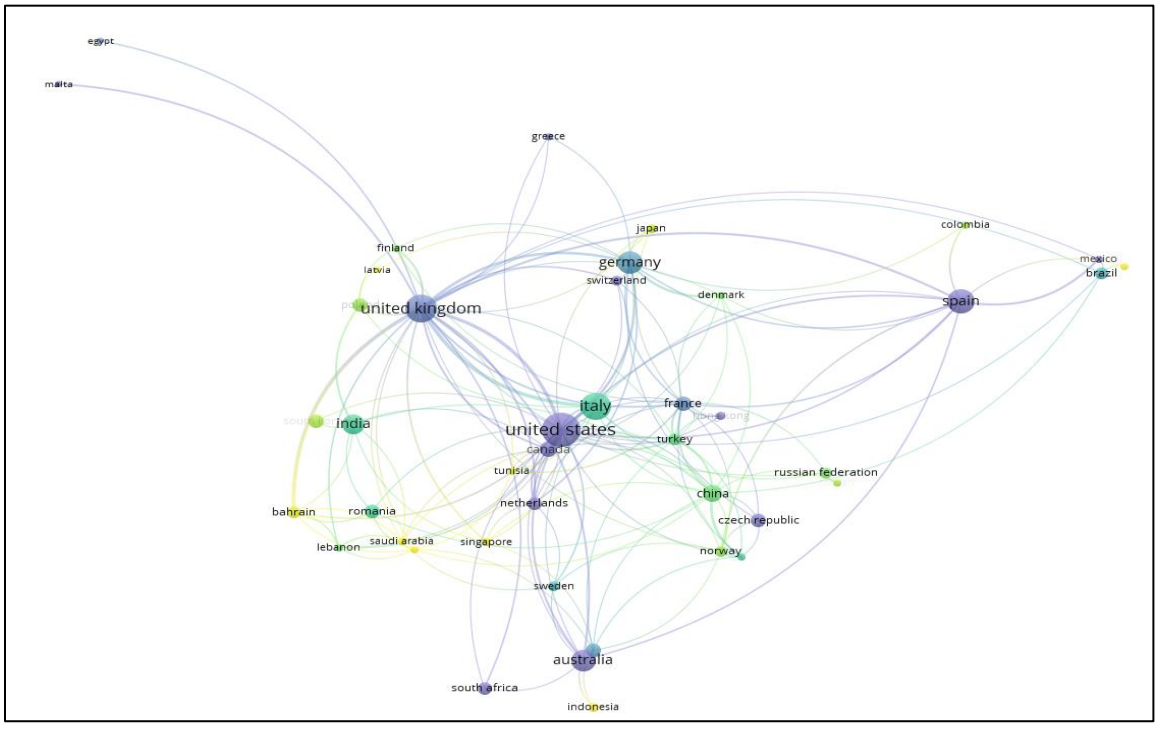
3.1.1 Maps based on authors on Business Responsibility Reporting:





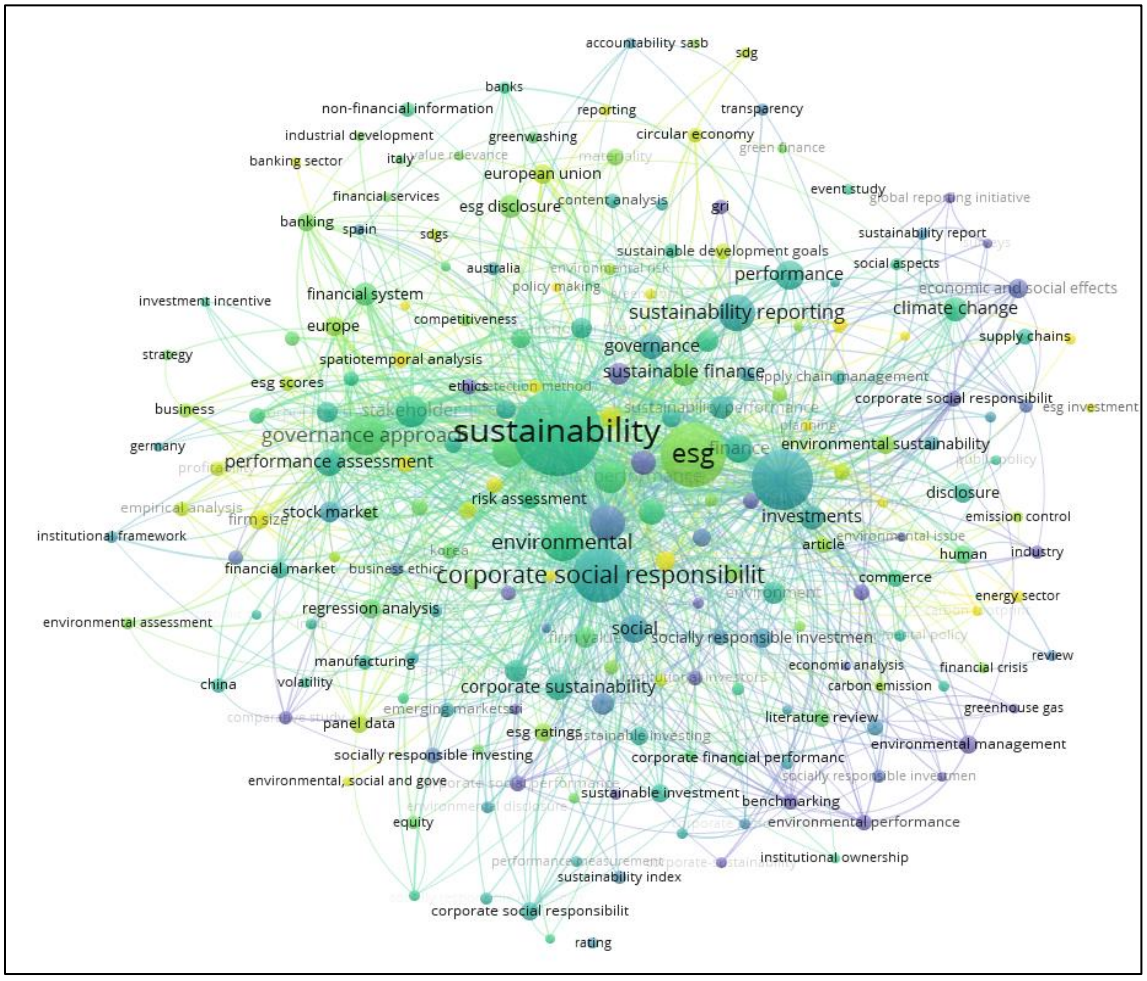
From the above maps on the analysis based on number of authors we can derive that very few studies have been done on the Business Responsibility Reporting.

3.1.2 Maps based on ESG in different countries:



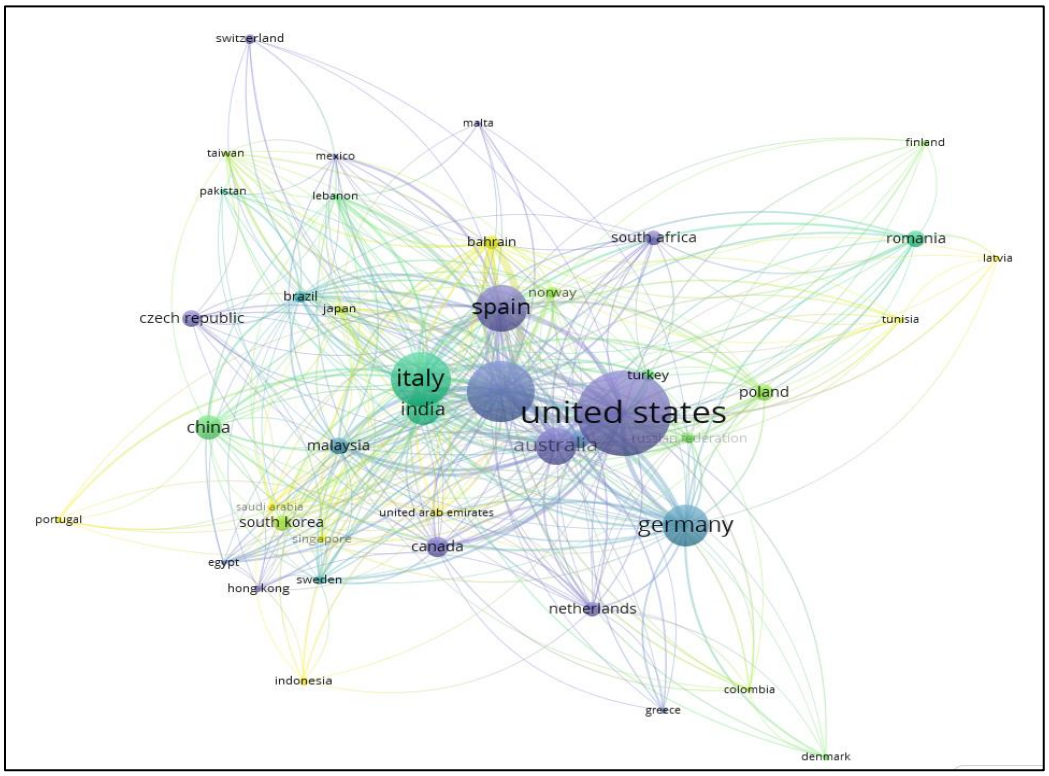
Bibliometric references from 819 Scopus journals have been used to derive the data on ESG. The above map on the analysis based on countries for ESG we can derive that very few studies has been done in India in comparison with the rest of the world.

3.1.3 Maps based on ESG on occurrence of keywords:



From the above map on the analysis based on countries we can derive that though there are studies on sustainability, CSR and ESG, there are very few studies on sustainability reporting.

3.1.4 Maps based on ESG on the basis of citations with respect to country:



From the above map on the analysis based on citations with respect to countries we observe that the maximum citations are from United States, while there are not many citations with respect to India.

3.2 Literature Review on existing studies:

Sustainability Reporting is an important responsibility measure for disclosing and being accountable to the stakeholders. Shareholders and Investors are important stakeholders who hold the company accountable. Share price is an important measure for the value of a company's worth. The purpose of literature review is to find the current relevant studies in the subject of research. One of the purposes is to show that prior research has been done on the given subject.

178 articles have been reviewed from 1998 to 2011to identify determinants of Sustainability Reporting and identify inconsistencies and gaps **(Hahn and Kuhnen, 2013)**. The paper

specifically illuminates factors influencing the adoption, the extent and quality of reporting. The few internal determinants which positively impact sustainability reporting practices according to them are company size (total assets, turnover, sales, number of employees, market capitalisation), ownership structure (equity, debt), age of assets, Board Structure (Independent directors), visibility, financial performance. The external determinants are corporate visibility, sector affiliation, social and environmental performance (especially in high impact companies), specific stakeholder pressure. The negative determinant is stock price volatility. The gaps pointed out by them are the stakeholders' perception about negative disclosure and its impact on corporate reputation, legitimacy, share price, sustainability reporting.

The content of Sustainability Reporting focuses more on complying rather than elaborating on materiality, stakeholder engagements, future plans and targets **(Swain, 2018)**. There are five phases of development of Sustainability Reports: Prepare Connect, Define, Monitor and Communicate. The challenges in Sustainability Reporting according to them are balance between economic growth and environmental sustainability, Data Monitoring, Independent verification of reports, global competition in sustainability practices.

Analysis has been done on the compliance level of BRR requirements among Indian companies **(Abhishek and Divyashree, 2019)**. The study is based on secondary data collected through journals, websites, reports and company's annual reports from 2015-16 to 2017-18. Content analysis technique using self-constructed scoring sheet was developed and scoring was recorded as 1 and 0. If there is a disclosure then score is 1, if there is no disclosure then score is 0. Disclosure index was calculated by dividing the number of elements to be disclosed and the actual elements disclosed by the companies as per BRR and the data was analysed using one-sample t-test. The top companies have significant compliance level of BRR reporting over time due to the mandatory nature of compliance. However, there is gap in studies on mandatory reporting and disclosure of sustainability compliance level which can be explored.

On analysis of the perception of stakeholders of quality of Sustainability Reporting using GRI framework the study states that there are six principles of quality – balance, clarity, accuracy, timeliness, comparability and reliability which are not being met by the sustainability reports

(Diouf and Boiral, 2014). There is a perception that impression management strategies are used by companies to highlight the positive aspects of their sustainability performance and while either hiding or fudging negative outcomes. Sustainability Reporting has not reached the same level of credibility and transparency as financial reporting. More quality parameters with respect to stakeholders' perception can be explored in future studies namely, materiality, stakeholder inclusiveness, sustainability context and completeness.

The level of disclosures for sustainability reporting has been measured for the years 2011-12 and 2012-13 by preparing a disclosure index **(Nidhi, 2015)**. A relationship has been established between the firm's characteristics namely Size, Age, Performance (Profitability and Market Performance), Governance Measures (Proportion of Independent Directors) and Listing Status, Industry Type (Banking and Financial Institutions, Public sector Undertakings and Family owned Businesses) to see if the extent of such disclosures varies with respect to it. The study concludes that firm characteristics do have effect on disclosure of the firm. As sustainability reporting is mandatory the disclosure is high but does not in any way indicate quality or depth of disclosures. However disclosure at some instances were not substantiated with sufficient processes making it difficult to establish the authenticity of information provided. The author has suggested that the study can further extended to work out a model based on firm characteristics which best explains the extent of disclosures by a firm.

Content analysis has been done of the 158 companies out of 200 BSE top companies for the year 2010-11 **(Bhatia & Tuli, 2017)**. They measured the level of sustainability disclosure by doing content analysis on their sustainability reports available in public domain. They found that size in terms of marketing capitalisation has significant association with sustainability reporting. Age, nationality, category of industry also influences disclosure positively. Their studies will help the interested stakeholders like investors to invest in sustainably active companies and regulatory authorities to direct companies regarding full, fair, adequate and useful sustainability disclosure.

This study is among the first to provide a framework for future studies to continue exploring Sustainability Reporting context in India**, (Jain, Winner, 2016)**. This study could be used by organizations to evaluate their online Sustainability communication, while comparing their

reporting performance against the largest companies in India. An overview of the current trends and patterns in sustainability reporting practices of India's largest 100 companies reveals that more research should be done on how companies in India can better communicate sustainability issues and concerns to their stakeholders to gain their support and goodwill. They state that further research should examine the effect of sustainability communication on stakeholders' perception regarding a company and their relationship with it.

Engagement with stakeholders provides competitive advantage as well as creates value for stakeholders and society **(Fabricio *et al*, 2020)**. Their content analysis and their matrix of stakeholder engagement strategies help in stakeholder identification and engagement and state that it is important to differentiate the nature of a firm's engagement with their stakeholders and the quality of those relationships. It is important to differentiate the nature of firms' engagement with their stakeholders and the quality of those relationships. According to the study employees and shareholders are the most engaged stakeholders. The authors have limited the study to energy sector. The study can be considered for other sectors as well.

The study has developed a sustainability reporting index applicable to all industries encompassing various facets of sustainability namely, economic, environmental and social can be used to study current sustainability practices **(Garg, 2017)**. A disclosure score of zero (0) to five (0) was given based on the information provided and the companies were ranked accordingly. The study stated that Indian companies are reporting mandatory parameters just for the sake of formality by providing only generic information without giving any disclosure on qualitative or quantitative information. So SRI can be taken as a standard framework along with the scoring methodology to measure the level of disclosure.

The study examines the nature, level and extent of the disclosures in Business Responsibility Report by top 50 NSE listed Indian companies for FY 2016-17 as per mandatory guidelines under SEBI's (LODR) regulations (**Kumar, Alok, 2018)**. Based upon the sample data and its extensive content analysis, the result reveals that there is significant difference in disclosures of BR reports adopted by selected Indian companies. The disclosure scoring model is used to collect ESG information in BR Reports, comprehensively suggesting the strong and weak areas

of the listed entities. Moreover, the findings will help Indian policy makers to review BR Reporting guidelines as legislation and regulations can significantly influence trends and patterns of disclosure in BR Reports.

The study identifies the determinants of share prices in Indian market (**Pandya and Marvadi, 2016)**. The study has used panel data pertaining to 30 firms from Bombay Stock Exchange Sensex for the period 2010 - 2014 and employed fully modified ordinary Least squares method. The results indicated that the variables Leverage followed by Price-Earnings Ratio, Profitability and DPS respectively are the major determinants of share prices in Indian stock market. Leverage has an inverse relationship with share price. The findings of the present study are particularly useful for investors and fund managers as they can watch out for these significant factors while analysing stock returns and predicting future prices.

EPS, NAVPS, P/E and CPI are the most important factors affecting share price for cement industry in Bangladesh **(Shafiqul Alam, *et al,* 2016)**. They have taken a panel data set of 07 cement companies listed in Dhaka Stock Exchange for a period 2006 – 2015 and the analysis is focused on Pooled OLS regression. According to them, authenticity and reliability of data will help the potential investors to decide on right investment vehicles.

The study identifies the factors influencing the share prices and examined the relationship of explanatory variables with those of stock prices for National Stock Exchange (NSE) 100 companies during the period 2007-12 **(Malhotra, Nidhi 2013)**. According to her different studies carried over different time periods across different markets have given varying results. Her studies reveal that firms' book value, earning per share and price-earnings ratio are having a significant positive association with firm's stock price while dividend yield is having a significant inverse association with the market price of the firm's stock.

The study states that Sustainability reporting has become a mainstream activity among large and global corporations **(Kumar, Mahesh, et al, 2019)**. They report both economic and non-economic activities of the firm and are accountable to stakeholders (both internal and external) for organizational performance towards the goal of sustainable development. Sustainability

reporting practices and its relationship with company performance has been studied of top 30 companies in India from across different sectors for a period of five years. The relationship between CSR and the company performance was found to be significant and the regression results showed significant influence of corporate sustainability reporting practices on company performance. The variables of Sustainability Reporting practices are level of disclosure on social, economic and environmental parameters and company performance variable is taken as Size, Leverage, Market to Book Ratio and Return on assets (ROA).

Business sustainability performance and disclosure factors affect Stock Price Informativeness (SPI). Sustainability performance factors are positively associated with SPI which stands for financial performance of a firm (**Nga and Rezaee 2020)**. The study states that the association between sustainability performance factors and SPI is stronger for firms with higher sustainability disclosure. They find that the association between ESG sustainability performance factors and SPI is stronger when economic performance is weaker, suggesting that investors tend to pay more attention to ESG performance factors when firms are financially underperforming. Their study shows that investors pay attention to both firm's economic performance (corporate profitability and growth prospect) and ESG sustainability performance and disclosure factors, which have implications for policymakers, regulators, investors, businesses, and researchers.

The study has used a panel dataset from a sample of Saudis registered banks from the first quarter of 2014 to the last quarter of 2018 **(ALHARBI *et al,*** 2021). It found that investors value the complementary disclosure of accounting information provided in SR and this disclosure produces a positive effect on Share Price. The study suggests that the market assigns a positive-significant correlation to the SR information which is reflected in the Share Price.

The content analysis on the Ibex-35 companies sustainability reports maintain a growing trend in their social commitment and greater recognition of the transfer of verified information to the different stakeholders of the companies and view sustainability reports as complementary to financial reporting (**Maria*, et al,* 2021)**. The sustainability report is especially relevant for financial stakeholders who base their investment decisions on the stock markets on the information they obtain from companies.

Sustainability Reporting Practice is gaining as much importance as financial reporting with a lot of investors all over the globe demanding better disclosure and compliance. The factors that influence share prices could either be internal factors, such as earnings, dividend, book value or external factors such as interest rate, government regulations and foreign exchange rate. Several such factors have been identified by previous empirical research. Most of the research on share price determinants identified dividend, net profit, operating earnings, and book value as the factors influencing share prices.

The review of literature on Sustainability Reporting Practices of companies listed in NSE and their stock price reveals that though few studies can be found in India, the work is comparatively very less and therefore there is an urgent need to find out in what ways the Sustainability Reporting disclosure can influence the fundamentals of stock price especially with so many investors interested in investment in companies which are in forefront in following ESG and sustainability practices.

4. Research Gaps:

On the basis of review of literature, areas for study has been identified in sustainability reporting practices that have scope for further research.
There is a gap in literature with respect to the quality of Sustainability Reporting in connection with the stakeholder perception whether it satisfies stakeholder informational needs and contributes to their empowerment. **(Hahn and Kuhnen, 2013)**

Research is required to work out a model based on firm characteristics which best explains the extent of disclosures by a firm which can establish the authenticity of information as mere compliance with depth and quality is not sufficient. **(Nidhi, 2015)**

Indian policy makers need to review BR Reporting guidelines under SEBI (LODR) Regulations as it is widely acknowledged that legislation and regulations can significantly influence trends and patterns of disclosure in BR Reports (**Kumar, Alok, 2018)**

There is a positive and significant association between share price and Sustainability Reporting. The investors allocate value to the Sustainability Reporting made by banks since they think that it offers good information. If the disclosure is not sufficient and investors make intermittent monitoring, it is enough to encounter the information requests by investors, who count Sustainability Reporting to be a valuable information instrument **(ALHARBI *et al,*** 2021)
Results obtained from Ibex-35 Spanish listed firms for the period 2011- 2019 provide empirical evidence on the influence of the verification of sustainability reports on stock market prices. Future research should increase the number of listed companies analysed especially in markets where there is strong pressure to produce and disclose sustainability information and analyse the difference between them **(Maria, et al, 2021)**

Based on gaps mentioned in previous studies and in current literature this study will examine whether sustainability reporting practices are really fulfilling the objectives of the regulatory framework.

5. Research Questions and Objectives:

5.1 Research Questions:

A research problem, in general, refers to some difficulty which a researcher experiences in the context of either a theoretical or practical situation and wants to obtain a solution for the same. (Kothari, 2004).

In Indian context, very few studies have empirically analysed relationship between Sustainability Reporting and stock price. There is gap in the existing literature and the scarcity of research calls for study to examine if sustainability reporting practices are being complied with in true spirit by Indian firms in keeping with the objectives of the framework and if it has any relationship with stock price.

Therefore this study intends to focus on the following research questions to examine the current compliance of sustainability reporting practices and its influence on share price.

The important research question raised by the research gap is as follows:

(i) Do the companies in India fully comply with Sustainability Reporting guidelines for publishing sustainability reports?

(ii) Does corporate sustainability reporting influence stock prices? Is there any relationship between sustainability reporting and stock prices?

5.2 Objectives of the Study:

The primary objective of this study is to investigate the extent of disclosure and compliance of Sustainability Reporting practices in India and its relationship with stock price for the period of FY 2018-19 to 2022-23 by top 200 NSE listed Indian companies as per market capitalisation.

Based on this, the objectives of this study are proposed as:

1. To examine the level of compliance of Sustainability Reporting guidelines based on Business Responsibility Report among select Indian Companies.

2. To examine the level of compliance of Sustainability Reporting guidelines based on Business Responsibility Report among select Indian companies on the basis of different industries.

3. To analyse the relationship between Sustainability Reporting practices and stock prices of the select Indian companies.

4. To analyse the relationship between Sustainability Reporting practices and stock prices of the select Indian companies on the basis of different industries.

6. Theoretical Construct and Hypothesis

6.1 Theoretical construct and relevance to Industry:

Systematic and objective process of collecting, recording, analyzing and interpreting data which helps in solving managerial problems, improves competitive landscape, helps linkages with stakeholders and attracts investors is the need of the hour. The current study is very relevant to the industry and will help in the following ways:

1. It will help the investors in identifying companies those are following sustainable practices for investment.

2. It will help the Sustainability Reporting practitioners for better disclosure.

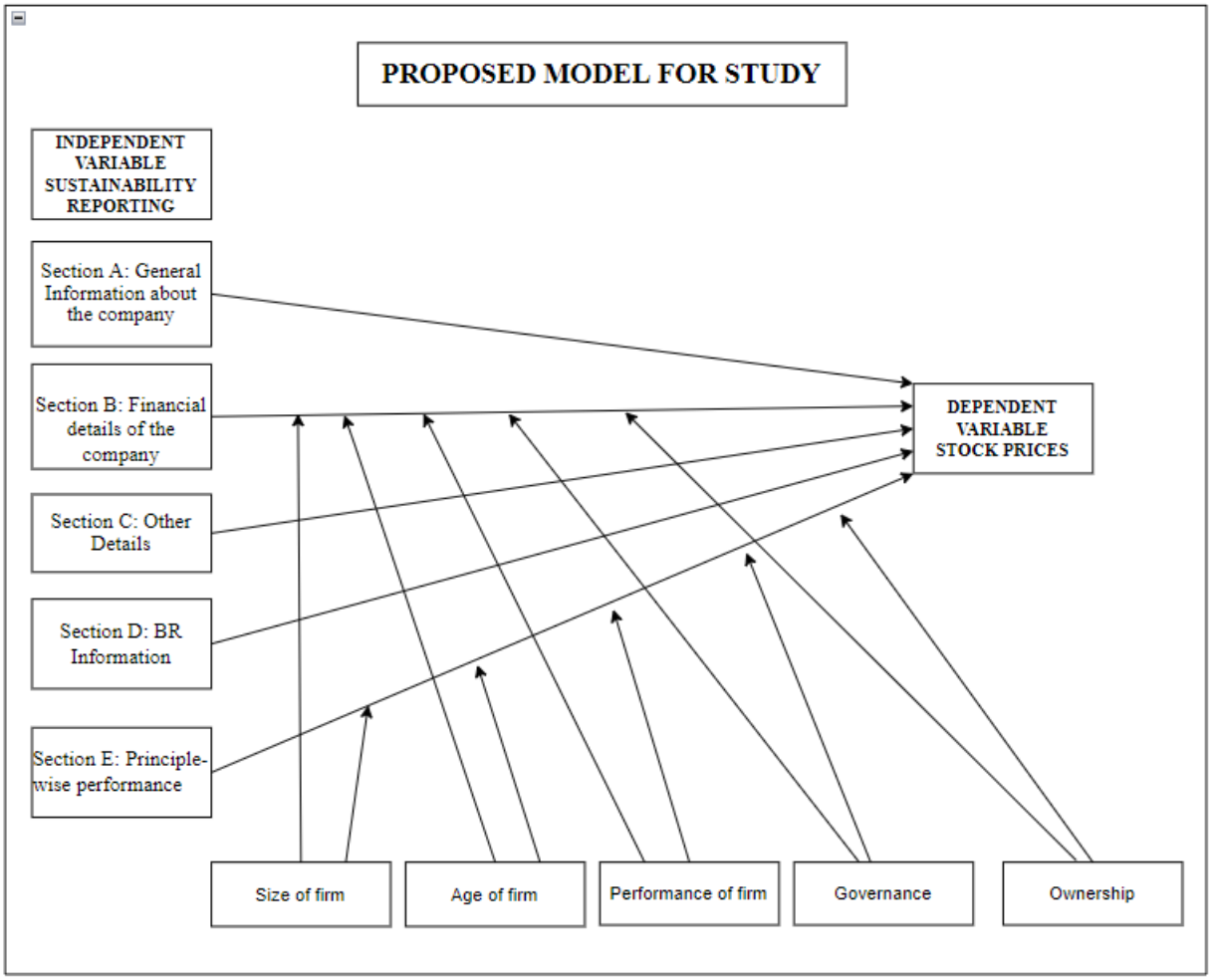
3. It will help the Accounting bodies for making new accounting standards to complete the gaps in sustainability reporting and to solve any problems faced by practitioners.

4. It will help the regulatory authorities to make necessary changes in the framework to ensure compliance.

5. It will help all stakeholders especially shareholders in creating an awareness and understanding with respect to sustainability practices of the Indian companies listed in National Stock Exchange.

In order to support decision-making requirements throughout the sustainable business transformation roadmap steps, the decision makers need a sustain-ability modeling and reporting system. The system must be developed based on a framework that supports its various activities like operations, decision support system, business process, data, and information modeling. Few studies have reviewed available indices and compared them according to a particular industry sector or economy. Initially when adopting the mandatory Sustainability Practices it will be a tick-box approach by almost all companies. The intention will be to merely comply with basic

requirements of the framework. But having complied with framework, subsequently the companies will have awareness about the impact of adoption in the form of improved reputation and image. They will also realise the additional benefits of adoption in the form of satisfied stakeholders namely investors, customers, employees, suppliers and regulators. This will result in communication with the stakeholders in the form of engagement and interaction. This is a constant loop and encourages the companies to move towards better compliance. Hence, they will implement the inputs given by the stakeholders and strive to enhance compliance by taking validation from stakeholders and third parties. It becomes a part of their operations in letter and spirit and they report more than what is asked for voluntarily. This study is expected to provide a more comprehensive and in-depth understanding of Sustainability Reporting process, disclosure and outcome and how it affects the share price of the select companies. The current research will reveal little known relationship between two variables: Sustainability Reporting and stock prices.



Variables:

The variables of the study are as follows:

Variable Specification	
Variable	**Measurement**
Independent Variable	
Sustainability Reporting	SR is measured in terms of the score calculated using the SR scale. The score is "the sum total of the scores of its dimensions i.e., all sections". The final score is calculated by Disclosure Score = Total no of disclosures done by the company / Total No. of disclosures as identified in the disclosure index i.e. 77.
Section A: General Information about the company	
Section B: Financial details of the company	
Section C: Other Details	
Section D: BR Information	
Section E: Principle-wise performance	
Dependent Variable	
Stock Prices	
Moderator Variable	
Size of Firm	Total assets, turnover, Number of employees, market capitalisation
Age of Firm	The number of years (plus one) elapsed since the year of the company's IPO
Performance of Firm	Profitability and Market Performance
Governance	Proportion of Independent Directors
Ownership Structure	Proportion of Debt and Equity

1. Sustainability Reporting:

Disclosure is the practice of measuring, reporting, and being accountable to internal and external stakeholders so as to provide a balanced and reasonable representation of performance **(National Voluntary guidelines, 2011)**

Sustainability Responsibility Disclosure Score (Sahore, 2015) (Kumar, 2018) will be developed. It will be based on SEBI's suggested framework covering 05 sections and 09 principles for a company with respect to 77 items selected. For each category BR reporting disclosure will be given a value of 1 if disclosed otherwise 0 in a dichotomous technique. Sustainability reporting scores will be used to access their impact on stock price. The total Sustainability reporting scores are level of disclosure on social, economic and environmental parameters

In order to find the disclosure score of each company the following formula will be used:
Disclosure Score = Total no of disclosures done by the company / Total No. of disclosures as identified in the disclosure index i.e. 77.

2. Stock price:

A stock's price indicates its current value to buyers and sellers.

3. Firm's characteristics:

The following measures will be used to measure the fundamental factors that affect the sustainability reporting of the select companies:

Firm's characteristics (Sahore, 2015) comprises of the following variables Size (Total assets, turnover, Number of employees, market capitalisation), Age, Performance (Profitability and Market Performance), Governance Measures (Proportion of Independent Directors), Ownership structure (Debt/Equity), Industry Type

6.2 Hypothesis

Hypothesis 1 Sustainability Reporting score is a significant positive predictor of the level of compliance with Sustainability Reporting guidelines based on Business Reporting Report by the select Indian companies indicating that it is a valid measure of disclosure.

Hypothesis 2 Sustainability Reporting score is a significant positive predictor of the level of compliance with Sustainability Reporting guidelines based on Business Reporting

Report by the select Indian companies for different industries indicating that it there is uniformity of disclosure among them.

Hypothesis 3 Sustainability Reporting has a significant association with the stock prices of the select Indian companies for indicating that it influences the stock price positively

Hypothesis 4 Sustainability Reporting is a significant association with the stock prices of the select Indian companies for indicating that it has a positive influence on stock prices across all industries

7. Research Design:

The research design constitutes the blueprint for the collection, measurement, and analysis of data. The study aims to fill the significant gap in the Indian literature about Sustainability Reporting compliance and its relationship with stock price. The approach of the study will be exploratory and descriptive in nature. The exploratory research design helps in the identification of research problems. Descriptive research design helps in exploring the specifications with accurate data, sample and estimation techniques. The population for the study is the top 500 listed companies in National Stock Exchange based on market capitalisation (Top 500 companies on the basis of market capitalisation were mandated for publishing BRR under 34(2) (f) of Listing Regulation w.i.f. 1st April, 2016). The sampling method adopted for this study will be purposive sampling. As per the SEBI mandate the Sample for the study will be top 200 listed companies listed in National Stock Exchange based on market capitalisation. The objective of the study necessitates the use of secondary data, precisely the Sustainability Reporting and stock price variable disclosed information of listed companies.

8. Data Collection and Analysis

The objectives to be achieved will be governed by the relevant data, its sources, its validity and reliability. This research will be based on investigating the current reporting practices and

consequently quality and quantity of compliance of Sustainability Reporting, its disclosure and its impact on stock price of companies listed on National Stock Exchange.

Data for the present study will be obtained from secondary sources including various databases in addition to the published reports of the firms under study. Some secondary sources of data are statistical bulletins, government publications, information published or unpublished and available from either within or outside the organization, data available from previous research, case studies and library records, online data, web sites, and the Internet (Sekharan, 2003).

The secondary data will be taken from Annual reports, BRR reports, Sustainability reports, Corporate governance report, Prowess Database, websites of companies, BSE, NSE, SEBI monthly bulletins and journals, MCA and various research journals related to the study from Science Direct, JSTOR, Scopus, Pro-quest, Sage, Emerald Publishing, Wiley. The dataset for this study will be obtained from Prowess, which is a comprehensive database on Indian firms maintained by the Centre for Monitoring the Indian Economy. Prowess includes a number of variables like Firm's characteristics, data relating to Sustainability Reporting indicators and its performance, factors impacting stock price.

The study will cover the longitudinal data for 5 consecutive years from 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23. The current study employs a panel data set using the data of 200 Indian firms for the period of 5 years (2018-2022), making the total number of observations equal to 1000 (200 companies over a period of 5 years)

8.1. Statistical Tools:

The methodology will consist of various statistical tools like Mean, Standard Deviation, Ranking, frequency distribution, simple percentage, correlation, regression, paired T-test, ANOVA, SPSS, NVIVO, ATAS ti. Content Analysis technique will used in this study for extracting information in a numeric form from the published sustainability reports of the select companies. Sustainability reporting framework will be considered for calculating the disclosure score.

8.2. Limitations of the study:

The study is representative of the population. It is limited to the top 100 listed NSE Indian companies. Unlisted and SME companies have not been considered for this study. It is taken for a period of 5 years from 2019 to 2023. The financial year is different for different companies ie. January to December and April to March. There is no uniformity in presentation of Sustainability Reporting among all companies some follow GRI or other international guidelines. Not all companies have made Sustainability Reporting a part of their annual report.

9. Expected Outcomes of the Study:

The study will understand the current sustainability reporting practices. It will analyse the disclosures made by the companies in their sustainability reporting practices. It intends to understand the gaps that prevent the companies from adopting the sustainability reporting practices in spirit. The study will understand what inputs and measures will help the companies to comply with the sustainability reporting practices. The study will cover disclosure quality of the companies on the basis of completeness and comprehensiveness of the responses in their Sustainability Reporting. It will study the quality and quantity of disclosures and its relationship with stock price. It is well known that maximizing shareholder wealth translates to maximizing the company's share price. The main objective of firms is to maximize firm values while minimizing the risks associated with business sustainability. The board of directors and managers have incentive to follow sustainability reporting practices by maximizing long-term profit and firm value, fulfilling their social responsibilities, meeting their environmental obligations, and improving their image and reputation. Impact of Sustainability Reporting practices on stock price will encourage the companies to understand the impact of their compliance on the financial aspect. So, stock prices should also reflect sustainability performance factors information. Meanwhile, shareholders can also be stakeholders at the same time, such as customers, suppliers, and employees. Therefore, shareholders are also subjected to risks related to society and the environment. In this context, the aim of this study is to analyse whether financial stakeholders positively value the process of disclosure of valid and credible

sustainability information of the firms. Improved sustainability performance leads to a significant reduction in the risk of the company and improve its risk management initiatives, which is valued by the share market in the form of a higher stock price.

Keeping this in mind the research will study the relationship between compliance of Sustainability Reporting on the share price of Indian Companies listed in National Stock Exchange. The purpose of this research is to assess the extent of compliance of Sustainability Reporting by Indian companies from the quantitative and qualitative aspects and understand the impact of the same on share prices.

This study is expected to allow a wide range of stakeholders—regulators, companies, consumers, society and especially shareholders and investors to better understand the disclosure aspects of non-financial reporting by Corporate India and ensure its compliance.

The study is expected to reinforce the importance of top-down approach in relation to decisions taken with respect to sustainability measures especially when there is a financial initiative to do so. The study is expected to help the companies with introspection about their current sustainability practices and encourage them to transition from basic fulfillment of the sustainability requirements to an intermediate level and finally mature into companies who are committed to the sustainability cause especially because there is a financial incentive to do so. (Business Responsibility Disclosures: Sustainability in practice in India An analysis of the top 100 listed companies, 2014).

The study is expected to help decision-making and strategic endeavours throughout the organization by suggesting sustainable business transformation roadmap transforming compliance to the highest degree. It will support the need for a realistic and reliable sustainability reporting system. A system developed based on a framework that supports its various functional activities like financials, operations, decision support system, business process, data and information and human resources across all industries and companies incorporate sustainability in all aspects.

Few studies have created indices and compared them according to a particular industry sector or between sectors. Though sustainability reporting is compulsory in India and an updated metric based uniform guideline and format for reporting has been prescribed to all companies, there are many challenges faced by the companies in the implementation of the same. We cannot assume that one size fits all especially with such a diverse nature of industries. These challenges will result in under-reporting or not being reported at all. The challenges faced by the companies as regards this have to be addressed and resolved. This will help all companies in reporting all their sustainability endeavors in a holistic manner and not have a tick box approach. In this manner, this research addresses an important gap by contributing to understanding the relationship between compliance of Sustainability reporting practices and share price in the context of India.

This study also has implications for regulators and policy makers. The results of the study will contribute to the existing knowledge and to identify the gap in Sustainability Reporting compliance as per BR Reporting guidelines under SEBI (LODR) Regulations, 2015 and clause 55 of listing agreements and its impact on stock price. As sustainability emerges stronger with every passing year, policy-makers and regulators across the world have been seeking better disclosure in order to induce the corporate sector to acknowledge and manage the Environmental and social externalities of their business operations and to make their governance process more transparent. Moreover, the findings of this study should strongly motivate policy makers to review Sustainability Reporting guidelines to make it more user friendly and customised.

Organisations will benefit from this study as it will suggest measures to ensure wholehearted willingness to comply with the sustainability practices in letter and spirit. The findings of the present study will be particularly useful for investors and fund managers as they can watch out for these significant factors while analysing stock returns and predicting future prices.

10. Timeline

TIMELINE FOR COMPLETION OF PROPOSED WORK

Milestone	2021		2022					2023			2024		
	9	10	11										
Quarters	9	12	3	6	9	12	3	6	9	12	3	6	9
Course work and Self Study													
Literature Review													
Research Proposal and Roadmap													
Research Instrument design (Questionnaire and datasheet)													
In-depth - interviews and analysis													
Data Collection (through Questionnaire)													
Data Analysis													
Thesis Writing													
Publication and thesis submission													

11. Chapter scheme

I. Abstract

II. Preface

Chapter 1 – Introduction

Chapter 2 – Review of Literature

Chapter 3 – Research Methodology

Chapter 4 – Sustainability Reporting and Compliance

Chapter 5 – Findings, Conclusion and Suggestions

I - Bibliography

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